

DIRECT TESTIMONY AND EXHIBITS OF

DANIEL F. SULLIVAN

ON BEHALF OF

THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF

DOCKET NO. 2021-5-G

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.**

2 A. My name is Daniel F. Sullivan. My business address is 1401 Main Street, Suite
3 900, Columbia, South Carolina, 29201. I am employed by the South Carolina Office of
4 Regulatory Staff (“ORS”) as the Director of the Audit Department.

5 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

6 A. I received a Bachelor of Science Degree with a major in Accounting from the
7 University of South Carolina in December 1998. In February 2005, I began my
8 employment with ORS and since then have participated in cases involving the regulation
9 of telecommunications, electric, natural gas, radioactive waste disposal, and water and
10 wastewater utilities.

11 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC SERVICE**
12 **COMMISSION OF SOUTH CAROLINA (“COMMISSION”)?**

13 A. Yes, I have previously testified before the Commission on cases involving the
14 regulation of radioactive waste disposal, natural gas, electric, water and wastewater.

15 **Q. WHAT IS THE MISSION OF THE OFFICE OF REGULATORY STAFF?**

16 A. ORS represents the public interest as defined by the South Carolina General
17 Assembly in S. C. Code Ann. § 58-4-10 as:

[T]he concerns of the using and consuming public with respect to public utility services, regardless of the class of customer, and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS PROCEEDING, AND HOW DOES YOUR DIRECT TESTIMONY REPRESENT THE PUBLIC INTEREST?

A. The purpose of my testimony is to present ORS Audit Department's findings and recommendations resulting from our examination of Dominion Energy South Carolina, Incorporated's (the "Company") Purchased Gas Adjustment ("PGA") for the year ended July 31, 2021 ("Review Period"). In Docket No. 87-426-G, Order No. 87-898, dated August 14, 1987, the Commission instituted an annual examination of the PGA and Gas Purchasing Policies of the Company. In accordance with the above referenced Order, ORS Audit Department examined the Company's PGA for the Review Period. By examining the books and records to ensure they comply with applicable Commission Orders and verifying the (over)/under-recovery balance is stated accurately, my direct testimony promotes the public interest.

Q. WAS THE REVIEW PERFORMED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes. The review to which I testify was performed by me or under my supervision.

Q. WHAT ARE THE MOST RECENT COST OF GAS FACTORS FILED WITH THIS COMMISSION?

A. In PGA Docket No. 2006-5-G, Order No. 2006-679, dated November 13, 2006, the Company was authorized to adjust its cost of gas factors on a monthly basis for a "material difference," defined as \$0.01, or more, per therm in any cost of gas factor, beginning with

the first billing cycle of each month. In Docket No. 2009-5-G, Order No. 2009-910, dated December 29, 2009, the amount designated as a “material difference” was increased to an amount greater than \$0.04 per therm. During the Review Period the Company’s Demand Cost of Gas factors (“DCOG”) and Commodity Cost of Gas factors (“CCOG”) were adjusted during the months of September and November 2020, and the months of January, February, and May 2021. The Company’s beginning and ending DCOG and CCOG during the Review Period are listed below:

<u>DCOG Per Therm</u>	<u>As of August 1, 2020</u>	<u>As of July 31, 2021</u>
Residential	\$0.36793	\$0.37172
Small/Med. General Service	\$0.20862	\$0.25270
Large General Service	\$0.31835	\$0.42120
<u>CCOG Per Therm</u>	\$0.24601	\$0.30549

Q. DID ORS CONDUCT AN EXAMINATION OF THE COMPANY’S PGA (OVER)/UNDER COLLECTION CALCULATIONS?

A. Yes. ORS examined the Company’s cumulative PGA (over)/under collection calculations for the Review Period and traced amounts to the books and records of the Company.

Q. IN CONNECTION WITH YOUR DIRECT TESTIMONY, DID YOU PREPARE OR CAUSE TO BE PREPARED ANY EXHIBITS?

A. Yes. Exhibits DFS-1 through DFS-3 are attached to my direct testimony.

Q. WHAT IS INCLUDED IN EXHIBIT DFS-1, PURCHASED GAS ADJUSTMENT (OVER)/UNDER COLLECTION?

A. Exhibit DFS-1 presents the beginning cumulative PGA under collection balance, and for each month of the Review Period, the components that contribute to the ending cumulative PGA under collection balance. These components are:

Commodity (Over)/Under Collection – These amounts represent the difference in the Company's actual firm commodity costs, on a monthly basis, compared to the firm commodity benchmark PGA filings during the Review Period. The commodity (over)/under collection for the Review Period increased the under collection by \$5,652,274.

Demand (Over)/Under Collection – These amounts represent the difference in the actual demand charges incurred by the Company as compared to demand charges billed and collected from customers. The demand (over)/under collection for the Review Period decreased the under collection by \$15,572,196.

Uncollectibles – Commodity Only – In Order No. 2006-679, the Company was authorized to recover its uncollectible gas costs through the commodity cost of gas, beginning with the first billing cycle in November 2007. This process allows the Company to recover the correct amount of uncollectible gas cost expense that it has actually incurred. Uncollectible gas cost expense for the Review Period increased the under collection by \$269,745.

Unbilled Revenue Adjustments – In compliance with Order No. 2009-910, the Company converted the PGA administration process from a cycle-month sales calculation basis to a calendar month sales calculation basis. This process is more effective and precise in matching calendar month gas costs with the calendar month gas sales. Unbilled revenue adjustments were applied to the demand component of the cost of gas factor. The net

unbilled revenue adjustment for the Review Period decreased the under collection by \$721,462.

Interest/Carrying Cost – In accordance with Order No. 2006-679, carrying cost is computed using the rate of interest, as of the first day of each month, for 10-year U.S. Government Treasury Bills plus an all-in spread of 65 basis points not to exceed 6% and shall not be applied to (over)/under collection balances in excess of \$20 million. The computed carrying costs for the Review Period decreased the under collection by \$2,136. The interest rates used to calculate carrying costs during the Review Period have been verified to those in the Wall Street Journal on the first published day of each month.

Q. WHAT IS INCLUDED IN EXHIBIT DFS-2, INTERSTATE STORAGE INVENTORY ACTIVITY?

A. Exhibit DFS-2 shows the detail of gas held in interstate pipeline storage facilities during the Review Period. ORS verified injections and withdrawals, by month, for each of the storage facilities on the Southern and Transco interstate pipelines. Southern system's Contract Storage Service ("CSS") has two facilities: Muldon, located in Prairie County, Mississippi and Bear Creek, located in Bienville Parish, Louisiana. Transco's system has four facilities: General Storage Service ("GSS") located in Potter and Clinton counties, Pennsylvania; Eminence Storage Service ("ESS") located in Covington County, Mississippi; a Liquefied Natural Gas Storage Service ("LG-A") located in Carlstadt, New Jersey; and Washington Storage Service ("WSS") located in St. Landry Parish, Louisiana.

For the Review Period, total storage injections were 5,824,875 dekatherms at a total cost of \$16,840,782, which converts to a weighted average injection rate of \$2.89 per dekatherm. Withdrawals totaled 5,992,171 dekatherms at a total cost of \$14,333,459,

which converts to a weighted average withdrawal rate of \$2.39 per dekatherm. The total interstate pipeline storage inventory on July 31, 2021, equaled 3,809,996 dekatherms with a total cost of \$11,434,349 or weighted average cost of \$3.00 per dekatherm.

Q. WHAT IS INCLUDED IN EXHIBIT DFS-3, LNG INVENTORY ACTIVITY?

A. Exhibit DFS-3 details, by month, total Liquefied Natural Gas (“LNG”) inventory activities for the Company’s Salley and Bushy Park facilities. ORS verified these inventories to the books and records of the Company. This exhibit summarizes all the activity affecting LNG inventory including boil-off, vaporization, liquefaction, additional supply trucked in to Salley, derime gas, gas lost to atmosphere, volume adjustments, and direct costs capitalized. Capitalized costs at both facilities consist mostly of expenses associated with the liquefaction capability at the Bushy Park facility. LNG inventory on July 31, 2021 totaled 1,272,021 dekatherms at a total cost of \$4,669,393 or a weighted average cost of \$3.67.

Q. WHAT IS THE STATUS OF THE COMPANY’S HEDGING PROGRAM?

A. Commission Order No. 2012-39 issued on January 12, 2012, suspended the Company’s hedging program. The last of the Company’s outstanding hedges settled on January 10, 2013.

Q. WHAT ARE ORS’S FINDINGS REGARDING THE COMPANY’S PGA (OVER)/UNDER COLLECTION?

A. Based on our examination, it is the opinion of ORS that the Company’s PGA under collection on July 31, 2021, of \$840,315, shown on Company witness Elliott’s Exhibit No. ____ (RRE-1), is accurately stated. The difference between the Company’s and ORS’s PGA under collection balance on July 31, 2021 is due to rounding.

1 **Q. WILL YOU UPDATE YOUR DIRECT TESTIMONY BASED ON INFORMATION**
2 **THAT BECOMES AVAILABLE?**

3 A. Yes. ORS fully reserves the right to revise its recommendations via supplemental
4 testimony should new information not previously provided by the Company, or other
5 sources, becomes available.

6 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

7 A. Yes, it does.

DOMINION ENERGY SOUTH CAROLINA - DOCKET NO. 2021-5-G
PURCHASED GAS ADJUSTMENT (OVER)/UNDER COLLECTION
FOR THE TWELVE MONTHS ENDED JULY 31, 2021

	2020					2021							Total
	August	September	October	November	December	January	February	March	April	May	June	July	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Beginning Balance	11,214,096	13,983,893	15,180,444	15,698,330	14,306,710	744,234	(8,426,782)	(9,228,192)	(9,585,945)	(8,342,494)	(5,176,506)	(1,509,461)	
Commodity (Over)/Under Collection	(209,917)	14,288	(369,244)	3,204,144	5,414,883	1,820,529	1,477,878	(2,448,914)	(1,445,152)	(1,376,325)	669,432	(1,099,328)	5,652,274
Demand (Over)/Under Collection	2,956,119	1,816,967	963,539	1,049,958	(7,381,406)	(12,894,225)	(6,597,550)	(4,798,119)	335,957	2,278,618	3,741,507	2,956,439	(15,572,196)
Uncollectibles-Commodity Only	11,096	3,700	7,717	8,318	22,945	24,399	15,498	18,017	29,732	40,946	54,657	32,720	269,745
Unbilled Revenue Adjustment	(2,983)	(655,210)	(103,985)	(5,672,733)	(11,619,877)	1,890,482	4,318,885	6,889,919	2,338,735	2,232,524	(795,876)	458,657	(721,462)
Ending Balance Before Interest	13,968,411	15,163,638	15,678,471	14,288,017	743,255	(8,414,581)	(9,212,071)	(9,567,289)	(8,326,673)	(5,166,731)	(1,506,786)	839,027	
Interest/Carrying Cost	15,482	16,806	19,859	18,693	979	(12,201)	(16,121)	(18,656)	(15,821)	(9,775)	(2,675)	1,294	(2,136)
Ending Balance	13,983,893	15,180,444	15,698,330	14,306,710	744,234	(8,426,782)	(9,228,192)	(9,585,945)	(8,342,494)	(5,176,506)	(1,509,461)	840,321	
Interest Rate	1.330%	1.330%	1.520%	1.570%	1.580%	1.740%	2.100%	2.340%	2.280%	2.270%	2.130%	1.850%	

Purchased Gas Adjustment (Over)/Under Collection as of 7/31/21

\$ 840,321

Exhibit DFS-2

DOMINION ENERGY SOUTH CAROLINA - DOCKET NO. 2021-5-G
INTERSTATE STORAGE INVENTORY ACTIVITY
FOR THE TWELVE MONTHS ENDED JULY 31, 2021

TOTAL INTERSTATE PIPELINE STORAGE

	Injections			Withdrawals			Balance		
	DT's	Price	Amount	DT's	Price	Amount	DT's	Amount	Wtd. Cost
	#	\$	\$	#	\$	\$	#	\$	\$
Beg. Bal.							3,977,292	8,927,026	2.24450
Aug-20	333,263	1.95859	652,724	(222,351)	2.13571	(474,877)	4,088,204	9,104,873	2.22711
Sep-20	410,305	2.48516	1,019,674	(191,037)	2.12562	(406,072)	4,307,472	9,718,475	2.25619
Oct-20	418,474	2.19929	920,347	(206,513)	2.16390	(446,874)	4,519,433	10,191,948	2.25514
Nov-20	495,712	2.94939	1,462,049	(586,778)	2.18329	(1,281,109)	4,428,367	10,372,888	2.34237
Dec-20	639,682	2.80742	1,795,856	(1,393,252)	2.28876	(3,188,816)	3,674,797	8,979,928	2.44365
Jan-21	604,794	2.61426	1,581,088	(1,185,688)	2.39180	(2,835,928)	3,093,903	7,725,088	2.49687
Feb-21	591,167	3.44701	2,037,757	(1,094,595)	2.43772	(2,668,314)	2,590,475	7,094,531	2.73870
Mar-21	409,681	2.90672	1,190,827	(417,452)	2.69139	(1,123,526)	2,582,704	7,161,832	2.77300
Apr-21	458,032	2.70268	1,237,912	(196,975)	2.75119	(541,915)	2,843,761	7,857,829	2.76318
May-21	348,937	3.02218	1,054,552	(282,362)	2.71405	(766,344)	2,910,336	8,146,037	2.79900
Jun-21	511,626	3.13486	1,603,878	(97,733)	2.75177	(268,939)	3,324,229	9,480,976	2.85208
Jul-21	603,202	3.78666	2,284,118	(117,435)	2.81641	(330,745)	3,809,996	11,434,349	3.00114
	<u>5,824,875</u>	<u>2.89118</u>	<u>16,840,782</u>	<u>(5,992,171)</u>	<u>2.39203</u>	<u>(14,333,459)</u>			
Total Interstate Pipeline Storage as of 7/31/21							<u>3,809,996</u>	<u>11,434,349</u>	<u>3.00114</u>

Exhibit DFS-3

DOMINION ENERGY SOUTH CAROLINA - DOCKET NO. 2021-5-G
LNG INVENTORY ACTIVITY
FOR THE TWELVE MONTHS ENDED JULY 31, 2021

TOTAL LNG STORAGE

	Boil-off			Vaporization			Liquefaction			Trucked in to Salley		
	DT's	Rate	Amount	DT's	Rate	Amount	DT's	Rate	Amount	DT's	Rate	Amount
	#	\$	\$	#	\$	\$	#	\$	\$	#	\$	\$
Aug-20	(51,393)	3.507306	(180,251)	0	0.000000	0	78,361	1.834458	143,750	0	0.000000	0
Sep-20	(48,141)	3.541202	(170,477)	0	0.000000	0	157,516	2.362700	372,163	0	0.000000	0
Oct-20	(38,861)	3.496565	(135,880)	0	0.000000	0	81,836	2.085097	170,636	0	0.000000	0
Nov-20	(40,391)	3.455027	(139,552)	0	0.000000	0	0	0.000000	0	0	0.000000	0
Dec-20	(40,546)	3.467025	(140,574)	(150,487)	3.467017	(521,741)	0	0.000000	0	0	0.000000	0
Jan-21	(40,946)	3.469057	(142,044)	(95,370)	3.469057	(330,844)	0	0.000000	0	0	0.000000	0
Feb-21	(35,336)	3.472662	(122,710)	(334,216)	3.472649	(1,160,615)	0	0.000000	0	0	0.000000	0
Mar-21	(33,801)	3.491346	(118,011)	0	0.000000	0	0	0.000000	0	0	0.000000	0
Apr-21	(39,513)	3.491712	(137,968)	0	0.000000	0	62,622	2.546693	159,479	0	0.000000	0
May-21	(41,060)	3.435655	(141,068)	0	0.000000	0	194,614	2.855401	555,701	0	0.000000	0
Jun-21	(52,473)	3.364759	(176,559)	0	0.000000	0	111,094	2.956496	328,449	0	0.000000	0
Jul-21	(54,948)	3.338738	(183,457)	0	0.000000	0	154,989	3.593597	556,968	0	0.000000	0
Totals	(517,409)	3.456745	(1,788,551)	(580,073)	3.470598	(2,013,200)	841,032	2.719452	2,287,146	0	0.000000	0

	Derive Gas			Gas Lost To Atmosphere			Volume Adjustment			Direct Costs Capitalized	Ending Balance		
	DT's			DT's	Rate	Amount	DT's	Rate	Amount	Amount	DT's	Rate	Amount
	#			#	\$	\$	#	\$	\$	\$	#	\$	\$
Beg. Bal.											1,530,120	3.507306	5,366,598
Aug-20	(997)			0	0.000000	0	0	0.000000	0	180,335	1,556,091	3.541202	5,510,432
Sep-20	0			0	0.000000	0	0	0.000000	0	111,284	1,665,466	3.496560	5,823,402
Oct-20	0			(652)	3.496933	(2,280)	0	0.000000	0	44,588	1,707,789	3.455032	5,900,466
Nov-20	0			0	0.000000	0	0	0.000000	0	19,991	1,667,398	3.467022	5,780,905
Dec-20	0			0	0.000000	0	0	0.000000	0	3,015	1,476,365	3.469064	5,121,605
Jan-21	0			0	0.000000	0	0	0.000000	0	4,810	1,340,049	3.472654	4,653,527
Feb-21	0			0	0.000000	0	0	0.000000	0	18,139	970,497	3.491346	3,388,341
Mar-21	0			0	0.000000	0	0	0.000000	0	337	936,696	3.491706	3,270,667
Apr-21	0			0	0.000000	0	0	0.000000	0	5,380	959,805	3.435654	3,297,558
May-21	0			0	0.000000	0	0	0.000000	0	33,978	1,113,359	3.364745	3,746,169
Jun-21	0			0	0.000000	0	0	0.000000	0	14,876	1,171,980	3.338739	3,912,935
Jul-21	0			0	0.000000	0	0	0.000000	0	382,947	1,272,021	3.670846	4,669,393
Totals	(997)			(652)	3.496933	(2,280)	0	0.000000	0	819,680			

Total LNG Storage as of 7/31/21

1,272,021 3.670846 4,669,393